Most blockbuster IPOs fail the stress test in markets

Stocks listed since Sept down an average 20% from their peak

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ILLUSTRATION: BINAY SINHA

Shares of companies that got listed over the past six months have declined an average 20 per cent from their peaks, shows data provided by PRIME Database. In comparison, the benchmark Nifty and the Nifty MidCap 100 have both dropped less than 5 per cent each from their respective peaks.

Therefore, investors who were lucky enough to get an allotment in a hot-selling initial public offering (IPO) and are holding on to the shares, and those who entered a recent IPO counter in the post-listing frenzy, are likely to be in for some disappointment.

Shares of 18 out of the 22 companies that have hit the market since September 2020 are trading above their issue price. While this in itself is a positive sign, the post-listing euphoria in many of these stocks has fizzled out and has caught several investors on the wrong foot.

Shares of companies such as Antony Waste, Mrs Bectors Food, Chemcon Speciality, and Burger King are down close to 40 per cent each from the highs they recorded after listing.

For instance, both Mrs Bectors Food and Chemcon Speciality saw their share price more than double following their stock market debut. However, they are currently trading up less than 30 per cent over their IPO price.

Not all companies have seen their share price crash from their recent highs. Stocks such as Happiest Minds, CAMS, and Gland Pharma are currently less than 10 per cent below their highs.

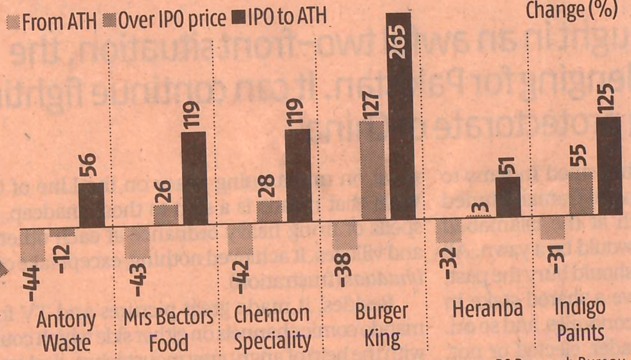
"After any listing, whether the stock goes up or down depends on whether there is institutional investor backing. If there is an institutional buyer, shares go into stronger hands from, say, retail or high networth individuals. This is good for the stock. In cases where there hasn't been enough follow-up buying by institutional investors or stocks have run up too much on the back of speculation, we have seen the rally fizzle out," said Arun Kejriwal, founder of Kejriwal Research and Investments Research.

In the midst of the current IPO boom, this data gives a cautionary tale. Experts say investors shouldn't blindly subscribe to all IPOs, even if the grey market paints a rosy picture.

"Whenever markets rally, the IPO pricing gets aligned to the prevailing market conditions. If the secondary market sentiment worsens, or if investors price in lofty growth expectations, there could be a chance of disappointment. If the gains are too good to be true, investors should take money off the table," said an investment banker, requesting anonymity.

IN REVERSE GEAR

Stocks that have come off the most from their all-time highs



Note: ATH is all-time high

Source: Prime Database, BS Research Bureau